



PradhanMantri JanDhan Yojna's impact on socio-economic environment

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Abstract

This financial inclusion campaign was launched by the Prime Minister on 28 August 2014. He had announced this scheme on his first Independence Day. It is a nationwide scheme on Financial speech on 15 August 2014. Inclusion to provide all households in the country with financial services, with particular focus to empower the weaker sections of society including women, small and marginal farmers and labourers, both rural and urban. PradhanMantri Jan-Dhan Yojana (PMJDY), Prime Minister's People Money Scheme is India's National Mission for Financial Inclusion to ensure access to financial services, namely Banking Savings & Deposit Accounts, Remittance, Credit, Insurance, Pension in an affordable manner. There is strong association between development programmes and socio-economic condition. Socio-economic condition refers to an individual's level of income, wealth, education, and prestige. Disparities in socio-economic condition are a great cause for concern today as they are increasing throughout the world. The objective of PMJDY is ensuring access to various financial services like availability bank account, access to credit, remittances facility, insurance and pension to the expelled section of the society. This paper pays emphasis that how PMJDY helping in coping the disparity in socio-economic condition of rural masses. How these scheme is providing social security to underprivileged people of the country. This paper also tells that how far this scheme has been successful in achieving its target till now.

Keywords: financial inclusion, socio-economic condition, PMJDY

Introduction

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way. Financial inclusion has been a buzzword for the policymakers and governments for a long time. Attempts have been made by the policymakers and financial institutions to bring large sections of the rural population within the banking system having realized that financial inclusion is the essence of sustainable economic growth and development in a country like India. Inclusive growth becomes impossible without financial inclusion. Financial inclusion is also must for the economic development of the country. Without Financial Inclusion we cannot think of economic development because a large chunk of total population remains outside the growth process. Though our country's economy is growing at a one digit, still the growth is not inclusive with the economic condition of the people in rural areas worsening further. One of the typical reasons for poverty is being financially excluded. Though there are few people who are enjoying all kinds of services from savings to net banking, but still in our country around 40% of people lack access to even basic financial services like savings, credit and insurance facilities. India is the second only to China in the number of people excluded from financial facilities. Even after 68 years of independence, around ten crore households are not connected with banking. Bringing every household within the grasp of the banking system there has been an ongoing process started a decade ago. However, the present Indian government has

packaged it in a mission mode and made it an achievable target. In order to reduce the degree of "financial unreachability" the new government has come up with a big bang action plan which is popularly known as "PradhanMantri Jan-Dhan Yojana". It's a mega financial inclusion plan with the objective of covering all households in the country with banking facilities along with inbuilt insurance coverage. The purpose is to accelerate growth, fight poverty effectively and to empower the last man in the last row in Indian economy.

Importance of financial inclusion in rural areas Direct cash transfer to beneficiaries accounts

Government gives subsidies to farmers, consumers and weaker sections on food, fertilisers, and LPG gas. However, a considerable amount of money kept for giving the subsidy for the poorest people hardly reach them due to leakages and corruption at different levels in government bureaucracy. To avoid this, government has decided to make direct cash transfers to beneficiaries through their bank accounts. The intention of the government is to ensure transparency, eliminate corruption, reduce expenditure on subsidy, and provide subsidy to the real beneficiaries.

Inculcating the savings habits

Lack of savings makes the poor and low income people a vulnerable class so that they have to often live under the financial stress. Expansion of banking facilities in these unbanked areas will inculcate saving habits among the rural people. As savings of the rural and semi-rural people is mobilized by commercial, cooperative and rural banks, capital

formation in the country is bound to increase. In this way, financial inclusion creates a platform for cultivating the habit to save and also to channelizing the savings.

Providing banking credit

In the absence of banking facilities in rural areas, farmers, rural people are vulnerably dependent on informal sources of credit like friends, relatives and moneylenders. Poverty and indebtedness sometimes lead to farmers' suicides especially in rain fed areas. Formal banking system provides adequate, transparent and low cost credit to farmers and rural people. Thus, supply of bank credit not only relieve the farmers from the clutches of money lenders, but also boost the output, income and prosperity of all the people living in rural areas. Micro finance is the recent example to provide easy, adequate and afford able credit to the vulnerable sections of the society.

Action plan for implementing PMJDY

There are two phases of this scheme in which the objective of financial inclusion of the poor people is to be achieved.

Phase-I of PMJDY

Phase-II of PMJDY

Phase-I of PMJDY

The first phase of this scheme starts from August 15, 2014 to August 14, 2015 which envisages the following:

1. All households across the country have access to banking facilities with at least one Basic Bank Accounts with a bank branch or a fixed point Business Correspondent (BC).
2. All households have RuPay Debit Card with Rs. 1 lakh inbuilt accident insurance cover.
3. If bank account is operated satisfactorily for 6 months, Rs. 5000 overdraft facility will be granted to only Aadhaar enabled accounts.
4. Direct Benefit Transfer facility of various government schemes will be provided through bank accounts to the beneficiaries.
5. The existing Kisan Credit Card is proposed to be issued as RuPayKisan Card to the farmers.
6. Financial literacy programme under the scheme will be implemented up to village level.

Phase-II of PMJDY

The period of Phase II is August 15, 2015 to August 14, 2018 which focuses on the following:

1. Micro insurance will be provided to the people.
2. Swavlamban-an unorganised sector pension scheme is to be proposed through the Business Correspondents.
3. Households in hilly, tribal and difficult areas will be covered in this phase.
4. This phase would also cover the remaining adults and students in households.

Deposit mobilised under PradhanMantri JanDhan Yojana

Banks have mobilised deposits worth close to Rs 21,000 crore from the accounts opened under the PradhanMantri JanDhan Yojana. Zero balance accounts in PMJDY have declined to 46.93 per cent to July 2015, from 76 per cent from September 2014, Finance Ministry said in a statement. Besides, Rupay

debit card has been issued to 15.26 crore beneficiaries who will also get a benefit of personal accidental insurance of Rs 1 lakh under the Yojana. "A deposit of Rs 20,769.33 crore has been mobilised in the accounts opened under PMJDY, "Prime Minister had launched this ambitious scheme of financial inclusion on August 28, 2014.

"One of the major feedback was that a large majority of accounts in PMJDY are zero balance accounts and a burden to the banks. Banks have launched special drive to bring down such accounts. Several steps have been taken for reduction of zero balance accounts," Ministry of Petroleum & Ministry of Rural Development also join the conferencing to sort out the issues with Banks regarding Direct Benefit Transfer (DBT) schemes implemented by them. Besides, on a weekly basis the banks and the PMJDY Mission team monitored and followed-up with branches.

Account holders avail overdraft under PMJDY

Nearly 1.65 lakh account holders out of the total 18 crore accounts opened under the government ambitious scheme PradhanMantri JanDhan Yojana (PMJDY) have availed overdraft facility. "One of the basic objectives of financial inclusion is the delivery of financial services at an affordable cost to the vast sections of the disadvantaged and low income groups," the ministry said, adding that to facilitate cash-out facility, there are nearly 1.26 lakh bank branches of which 38% is in rural areas. "The network of bank branches, ATMs, Bank Mitras (Business Correspondents) and enhancement of limit of cash withdrawal at PoS will help the customers."

In a statement the ministry noted that focus of PMJDY has moved from account opening to the provision of cash-out facilities at an approachable distance to reap the real benefits of the scheme.

India's aim to utilise PMJDY account

India aims to utilise bank accounts created under PradhanMantri Jan-Dhan Yojana to extend insurance, pension and credit facilities to those excluded from these benefits, as the country joined a UN initiative to enable nations transition to electronic payments. Taking a step closer to becoming a cashless economy, India has joined the 'Better than Cash Alliance', a United Nations Capital Development Fund (UNCDF) initiative. The announcement comes on the first anniversary of Prime Minister Narendra Modi's flagship financial inclusion programme PradhanMantri Jan-Dhan Yojana (PMJDY).The new partnership with the Better than Cash Alliance, made up of governments, companies, and international organizations, is an extension of Indian Government's commitment to reduce cash in its economy.

"The scale of ambition of PradhanMantri Jan-DhanYojana has been much higher than for any other financial inclusion initiative in the past. The project has been instrumental in bringing almost all families of the country into the formal financial system and enabling citizens at grassroots level to perform financial transactions and keep their hard-earned money safe,". The statement "As a next step, the aim is to utilise these accounts for extending insurance, pension, and credit facilities to those who are currently excluded from these benefits," he said, adding that India has been recognised by the Guinness World Records for opening over 1.8 crore bank

accounts in a week. Under PMJDY, in one year, 175 million new accounts have been opened, with deposits totaling more than \$3.4 billion. India's announcement comes ahead of next month's United Nations special summit here when Modi and other world leaders will launch the adopted Sustainable Development Goals (SDGs).

Digital financial services are a key tool for the implementation of the goals, and advocates hope India's leadership inspires other governments to harness the power of digital payments as a strategy for achieving the SDGs, the statement added.

"India's leadership and progress are inspirational for countries around the world," said Dr. Ruth Goodwin-Groen, Managing Director of the Better than Cash Alliance. "By making the digitization of payments to achieve financial inclusion a top priority, the Indian Government is showing its commitment to improving the lives of its people and driving inclusive growth." Other recently joined members of the Alliance include Rwanda and Ghana.

Advocates hope India's membership of the Better than Cash Alliance will inspire other governments to harness the power of digital payments as a strategy for achieving the Goals. Secretary for the Department of Financial Services of the Government of India, said: "PMJDY has been a game changer in the country's financial inclusion efforts. The initiative has demonstrated that when we converge the efforts of all stakeholders, and work in unison with clearly defined goals, unprecedented results follow."

The financial inclusion programme, along with Aadhaar biometric unique identity cards that make it easier for the Government to identify social benefit recipients and the widespread use of mobile phones, are driving financial inclusion in India. It is also resulting in cost savings. The fuel subsidy programme, which is the world's largest cash transfer programme, saved USD 2 billion (131 billion Rupees) by paying cooking gas consumers directly.

Conclusion

The PMJDY is superior over the UPA's financial inclusion programme because the earlier programme had no focus on individual households. Further, there was no emphasis given on financial inclusion in urban areas. Again there was Know Your Customer (KYC) norm to open an account which has restricted account opening. Lack of credit disbursement, untraceable business correspondents and maximum inactive accounts were some of the deficiencies in earlier schemes. The present PMJDY has addressed all the existing and possible deficiencies. This programme is in true sense one of the poverty alleviation programmes. Crores of poor people in India are still outside the organised financial system, despite the nationalization of commercial banks long ago in 1969. Hence, this is the mission to eradicate poverty through the financial inclusion programme. The poor and the underprivileged people in rural, semi-urban and urban areas are expected to get all the benefits such as financial inclusion, financial stability and financial freedom through the PMJDY.

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